

**Amendment # : This amendment offsets the 60 day UI package entirely with 8 provisions from the Finance Committee previously agreed to and also by rescinding \$10 billion unobligated federal balances.**

This amendment would pay for this \$20 billion, 60 day extension of federal benefits through a diverse and bi-partisan backed package of revenue raisers and by rescinding \$10 billion in unspent and unobligated balances. These finance offsets constituted the universe from which Senate Republicans and Democrats reached a tentative agreement to offset a short term UI extension, only to have it scuttled by Speaker Pelosi and House Democrats.

### **Finance Provisions**

The package includes provisions aimed at increased tax compliance, provisions that alter tax treatment of retirement plans, and also contains some provisions that attempts to eliminate waste, fraud, and abuse in the federal government.

**Require information reporting for rental property expense payments: \$2.546 billion over 10 years.** (JCT score of 4849, JCX-22-10, March 24, 2010.)

- Used in Senate passed tax extenders bill.
- Used in House passed H.R. 4849, Small Business Jobs bill.

**Pension funding relief: \$2.1 billion over 10 years.** (JCT score of H.R. 4213 as passed by Senate, JCX-9-10, March 10, 2010.)

- Used in Senate passed tax extenders bill.

**Crude Tall Oil Ineligible for Cellulosic Biofuel Producer Credit: \$1.885 billion over 10 years.** (JCT score of H.R. 4849, JCX-22-10.)

- Used in House passed H.R. 4849, Small Business Jobs bill.

**Repeal the advance payment option of the Earned Income Tax Credit (EITC): \$1.234 billion over 10 years.** (JCT score, Estimate of Presidents FY 2011 Budget's revenue provisions, JCX-7-10 R, March 15, 2010.)

- Included in President Obama's FY 2011 budget request.

**Institute unemployment insurance integrity: \$939 million over 10 years.** (JCT score, Estimate of Presidents FY 2011 Budget's revenue provisions, JCX-7-10 R, March 15, 2010.)

- Included in President Obama's FY 2011 budget request.

**Allow participants in Governmental 457 plans to treat elective deferrals as Roth contributions: \$506 million over 10 years.** (JCT score of H.R. 4213 as passed by Senate, JCX-9-10, March 10, 2010.)

- Used in Senate passed tax extenders bill.

**Increase information return penalties: \$419 million over 10 years.** (JCT score of H.R. 4213 as passed by Senate, JCX-9-10, March 10, 2010.)

- Used in Senate passed tax extenders bill.

**Allows rollovers from elective deferral plans to Roth designated accounts: \$127 million over 10 years.** (JCT score of H.R. 4213 as passed by Senate, JCX-9-10, March 10, 2010.)

- Used in Senate passed tax extenders bill.

**Total Savings: \$9.756 billion**

**This Finance Offset was the framework in which an agreement was reached prior to Easter recess**

While Senate Democrats are attempting to portray Republicans as obstructionists and dismiss attempts at offsetting the package, before Easter recess they had actually agreed with offsetting this package with some of the provisions in this amendment. The fact that both Senate Republicans and Democrats compromised and came to an agreement on offsetting spending was an important step forward in the fight for fiscal responsibility. Unfortunately, because of institutional issues between House and Senate Democrats, the deal was scuttled because Speaker Pelosi did not want to abide by the Senate compromise on offsetting new spending.

**The majority of these provisions have already been agreed to by both parties to pay for these exact programs**

Five of the eight offsets have already been passed by the Senate. When the Senate considered the year-long tax extenders bill in March, both sides agreed to use 5 of these offsets to pay for the costs of the provisions of the bill. Additionally, it is incorrect to say that these offsets have already been used and is stealing money from another bill. While they were passed in the long-term tax extenders bill, they have NOT been signed into law yet.

Far more importantly, these offsets were used to pay for these exact same programs during this exact same time frame. The only reason why the long-term extenders have not been passed is a dispute between House and Senate Democrats. It was reported today in Roll Call that the “bill to extend unemployment benefits until Dec. 31 is held up over what one senior Senate Democratic aide called “an old-fashioned pissing match” between the House and the Senate over an unrelated issue of offsetting extensions of routine tax cuts.”<sup>1</sup>

It is entirely consistent and legitimate to use these pay-fors in the interim while the problems with the longer term extension are worked out. Given that these programs will continue for the duration of the year, this merely specifies which offsets will be used for this certain time period. It is true that other offsets must be found to fund the entire year, but both the House and the Senate were woefully short in funding those in their respective versions prior to conference.

### **Two of the offsets President Obama included in his FY 2011 Budget request are used in this amendment**

In his FY 2011 budget request, President Obama proposed two provisions that would save over \$2 billion combined:

#### **Eliminate Advanced Earned Income Tax Credit:**

President Obama has recommended eliminating the advanced application of the Earned Income Tax Credit (EITC) which reduces revenues by \$120 million annually because it is used by very few taxpayers and has a very high error rate.<sup>[1]</sup>

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<sup>1</sup> [http://www.rollcall.com/issues/55\\_114/roadmap/45071-1.html](http://www.rollcall.com/issues/55_114/roadmap/45071-1.html)

<sup>[1]</sup> <http://www.whitehouse.gov/omb/budget/fy2011/assets/trs.pdf>, page 8

EITC eligible taxpayers with children may file a form with their employers and receive a portion of their EITC throughout the year in their paychecks. Only a tiny number of EITC eligible taxpayers claim the AEITC; three percent, or 514,000 taxpayers according to the Government Accountability Office. Further, the dollar amounts involved are consistently small: half of all AEITC recipients received less than \$100.

A Government Accountability Office (GAO) Report dated August 2007 found an extremely high error rate in the AEITC program; some 80 percent of AEITC recipients did not comply with at least one program requirement.<sup>[2]</sup> GAO examined returns for tax years 2002 through 2004 and found consistent noncompliance and limited Internal Revenue Service success in addressing it. Some 20 percent of recipients had invalid Social Security Numbers (SSN) and thus may not have been eligible for the credit. Some 40 percent of recipients failed to file the annual tax return required to reconcile the credit. Roughly 30 percent of those who did not file also had an invalid SSN. Further, of the 60 percent of recipients who did file a return, two-thirds misreported the amount received; 97 percent reported receiving no AEITC.

This proposal would NOT eliminate the program, but would rather simply require taxpayers to claim their EITC only at the end of the year. The Obama Administration believes this will save \$1.234 billion over ten years.

## **Unemployment Insurance Integrity:**

To enact a provision to cut down on unemployment insurance (UI) fraud, President Obama recommended in his FY 2011 budget this provision to conduct more Reemployment and Eligibility Assessments (REAs) – in-person interviews with UI claimants to determine continued eligibility for benefits.<sup>[3]</sup>

A preliminary impact evaluation, using control groups, looked at the REA program in nine States in 2005. While data problems limited the impact evaluation to two States, the evaluation found statistically significant results

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<sup>[2]</sup> <http://www.gao.gov/new.items/d071110.pdf>

<sup>[3]</sup> <http://www.whitehouse.gov/omb/budget/fy2011/assets/trs.pdf>, page 121

in one State with reduced overpayments, as well as reductions in the likelihood of exhausting UI and in the number of weeks compensated.

The Obama administration believes this would save \$939 million over 10 years.<sup>2</sup>

**This amendment would also rescind \$10 billion in unobligated and unspent federal funding.**

This amendment would rescind \$10 billion in unobligated federal funding to pay for the 60 day extension of federal benefits and payments provided by H.R.4851, the Continuing Extension Act of 2010. The amendment allows the President's Office of Management and Budget (OMB) to identify the accounts and amounts rescinded to pay for the extensions.

Federal agencies ended Fiscal Year 2009 with nearly \$1 trillion of unobligated funds, according to the OMB. In FY 2009, the federal government held \$921.8 billion in unspent funds and OMB estimates that this amount will exceed \$600 billion in FY 2010 and 2011.<sup>3</sup> Unlike obligated funding that has not yet been spent, unobligated funds are not set aside for a specific purpose to be funded in the near future.

Every year, Congress borrows hundreds of billions of dollars to pay for increases for programs that end each year with billions of dollars in unobligated money. Simply put, Congress is approving increases in government funding faster than bureaucrats can spend it!

While all of the money is not being spent, taxpayers still must pay for the funding increases as well as the cost to finance the interest on the billions of dollars being borrowed and added to our \$12.8 trillion national debt.

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<sup>2</sup> JCT score, Estimate of Presidents FY 2011 Budget's revenue provisions, JCX-7-10 R, March 15, 2010.

<sup>3</sup> <http://www.whitehouse.gov/omb/budget/fy2011/assets/balances.pdf>

There is no reason to borrow more money when the government isn't even spending hundreds of billions of dollars it has already borrowed. If Congress is unable or unwilling to make the tough choices to offset new spending by cutting spending elsewhere in the federal budget, it should at the very least be willing to pay for the costs by rescinding some of the funds that are going unspent and have no intended use.